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Poland's Potato Production Declines Significantly in 2013

Report Categories:

Potatoes and Potato Products

Agricultural Situation

Policy and Program Announcements

Vegetables

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Report Highlights:

Poland's 2013 potato crop is estimated at 6.4 MMT, of which ware production accounts for 3.6 MMT. Total production declined nearly 30 percent overall year-over-years while ware production fell 14 percent. The share of ware to total production continues to increase. The potato production in the year 2014 is forecasted to increase by 17 percent in comparison with 2013. The 2012/13 marketing year represented the first year during which the starch market operated as a free market. Supplementary national payments for starch potato producers, not connected with production**,** are the only part remaining of the government's previous support program.

General Information:

Potato production

In 2013, Poland's area of potato cultivation decreased to 300 thousand hectares, approximately 19.6 percent, compared to 2012. Acreage has decreased two consecutive years in reaction to very low profitability for potatoes on the commercial market and diminishing farm use.

Weather conditions during the 2013 growing season were less favorable than the previous year. An extra ordinary late spring – about 4 weeks late, by region, resulted in delays in early spring potato planting. The average delay in the autumn crop planting was one week. In June some regions experienced heavy rains and wet fields which halted application of plant protection measures. Later during the summer sunny and warm weather provided good vegetative conditions for plants. Average yield is estimated at 21.4 kg /Ha. For 2013 total domestic potato production is estimated at 7.5 (MMT), or 29.5 percent less compared to the previous year. Crop quality is judged as low, due to weather induced delays in application of agro-technological measures.

The 2014 potato forecast is for production to increase by 17 percent based on normal weather conditions during planting and average yields resulting from timely application of inputs. Though 2013 market prices were stronger than recorded for 2012, expansion of production area is not expected. Declining production of hogs and resulting lower demand for potatoes as a feed supplement will continue to apply downward pressure on cultivation for the foreseeable future. In 2014 total cultivated acreage is forecast to remain flat compared to 2013.

Table: Area, yields, production of potatoes in Poland

Poland	Area (Thousand HA)	Yield (MT/HA)	Total Production (Thousand MT)
2009/10	508	19.1	9,703
2010/11	401	21.1	8,448
2011/12	406	23.1	9,362
2012/13	373	24.4	9,100
2013/14*	300	21.4	6,420
2014/15*	300	25.0	7,500

Source: Main Statistical Office
* estimate and forecast of Institute of Agricultural and Food Economics

The level of ware potato production is relatively low. In 2013 over 55 percent of the crop was sold through market channels (wholesale, local markets, exports). This year higher prices should boost market sales in comparison with the last year. The crop balance (out of ware production) should remain on farm and should be utilized as seed (25 percent), animal feed (35 percent), and self supplies (40 percent).

Table: Total and ware potato production in Poland, thousand MT

Poland	2009/10	2010/11	2011/12	2012/13	2013/14
Total	9,703	8,448	9,362	9,100	6,420
Ware*	4,077	3,600	3,850	4,140	3,555

Source: Main Statistical Office
*FAS/Warsaw Forecast

Consumption

Poland is fresh potato market. The processing industry – for both human consumption and industrial usage, consumes only about 20 percent of total supply (country crops plus import). For MY 2012/13 consumption of potato products (potato equivalent) totaled 16.2 kg per capita, while consumption of fresh potatoes totaled 91.2 kg per capita. For MY 2013/14 consumption of processed potatoes is expected to be stable while that for fresh potatoes will be much lower based on recent trends. Despite the downward trend in fresh potato consumption Poland still holds the highest per capita consumption in Europe.

Potato Processing

The upward trend in production of frozen potato products and potato chips witnessed in recent years is expected to continue in the coming years. Growing external demand is the main driver for expansion of this sector. During the two year 2012-2013 period domestic demand has been stable overall but showed a dip from the fast food and HORECA sectors in Poland.

Poland's potato non-food processing industry (dry potatoes and alcohol) is captured in a long-term decline trend. The 2012 abolition of major government financial support mechanisms for the sector has had a major impact on this sector.

Table: Potato Products Output, thousand MT

	CY 2009	CY 2010	CY 2011	CY 2012	CY 2013*
Frozen potato products (fries)	161.3	178.4	173.5	209.0	210.0
Chips	75.5	67.8	66.5	77.5	78.0
Dry potato	15.1	14.7	14.6	23.7	19.0
Potato starch	100.9	76.9	110.5	127.8	102.0

Source: The Main Statistical Office Poland
* Forecast of Institute of Agricultural and Food Economics

Fresh Potato Trade and Outlook

Table: Fresh Potato Exports, MT (market year ending June) – HS 070190

	MY 2009/10	MY 2010/11	MY 2011/12	MY 2012/13	MY 2013/14*
Total Exports	**29,322**	**90,764**	**22,212**	**64,772**	**13,000**
EU-27	*5,612*	*9,771*	*8,414*	*42,606*	*7,800*
Non-EU 27	23,710	80,993	13,798	22,166	5,200

Source: Global Trade Atlas
* FAS/Warsaw Forecast

Table: Fresh Potato Imports, MT (market year ending June) – HS 070190

	MY 2009/10	MY 2010/11	MY 2011/12	MY 2012/13	MY 2013/14
Total Imports	**212,050**	**234,593**	**124,473**	**74,379**	**215,000**
EU-27	*212,050*	*234,428*	*124,387*	*74,226*	*214,700*
Non-EU 27	0	165	86	153	300

Source: Global Trade Atlas
* FAS/Warsaw Forecast

Poland imports fresh potatoes for human consumption – both for fresh consumption and for processing. A large majority of imports is sourced from EU countries like: Germany (32 percent of total import), Greece (13 percent), Spain (13 percent), Italy (11 percent), and Belgium (7 percent). For many years potato supplied from these countries were usually directed into processing for french fries. In MY 2012/13Poland’s major export markets for fresh potatoes were: Romania (55 percent of total export) and Moldova (28 percent). Exports of fresh potatoes to Russia have diminished in recent years due to Poland’s inconsistency with meeting Russian residue standards for pesticides.

Frozen Potato Products Trade and Outlook

In MY 2013/14 Poland’s export of frozen potato products is forecast at 165 thousand MT, representing a growth of one percent in comparison with MY 2012/13. Export of potato fries has been growing in recent years: by 12.6 percent in MY 2010/11, by 11 percent in MY 2011/12, and by 16 percent in MY 2012/13. Growing demand from Russia and Ukraine are major drivers for Polish frozen potato products exports.

Traditionally Poland is the leading supplier to Russia among the EU-27 countries. Almost 40 percent of Polish frozen potato products are directed to Russia and 7-8 percent to Ukraine. Interestingly the EU-27 is Poland’s biggest market for frozen french fries, taking about 40 percent of what Poland exports. The Polish potato processing industry is forecasting stable growth of exports overall to Russia and Ukraine, although the rate of growth is expected to diminish. Poland is also an importer of frozen potato products, mainly from the Netherlands (almost 50 percent) and Belgium (35 percent). For MY 2013/14 the country is projected to import 38 thousand MT.

Table: Frozen Potato Products Exports, MT (marketing year ending June) – HS 200410

	MY 2009/10	MY 2010/11	MY 2011/12	MY 2012/13	MY 2013/14*
Total Exports	**112,607**	**126,855**	**140,655**	**163,488**	**165,000**
EU-27	*46,903*	*50,232*	*56,940*	*67,976*	*100,000*
Non-EU 27	65,704	76,623	83,715	95,512	65,000

Source: Global Trade Atlas
* FAS/Warsaw Forecast

Table: Poland's Major Export Destinations. Frozen Potato Products, MT (marketing year ending June) – HS 200410.

	MY 2009/10	MY 2010/11	MY 2011/12	MY 2012/13	MY 2011/12 Exports as % Share
Total Exports	**112,607**	**126,855**	**140,655**	**163,488**	**100.0**
Russia	43,415	46,561	52,777	58577	**35.8**
Czech Republic	11,189	10,130	9,447	11432	**7.0**
Ukraine	8,119	11,585	11,576	11,330	**6.9**
Hungary	3,366	3,946	7,794	10,675	**6.5**
Slovakia	6,148	5,257	5,651	6,329	**3.9**
Romania	6,809	4,814	5,793	6,321	**3.9**
Sweden	3,887	4,465	4,381	4,769	**2.9**
Bulgaria	2,660	3,646	4,233	4,439	**2.7**
Latvia	3,284	3,926	3,749	4,319	**2.6**
Serbia	3,189	3,609	3,620	4,235	**2.6**
Others	20,541	28,916	31,634	41,062	**25.1**

Source: Global Trade Atlas
* FAS/Warsaw Forecast

Table: Poland Import of Frozen Potato Products, MT (year ending June) – HS 200410

	MY 2009/10	MY 2010/11	MY 2011/12	MY 2012/13	MY 2013/14*
Total Imports	**32,944**	**47,271**	**41,214**	**36,891**	**38,000**
EU-27	*32,866*	*46,755*	*40,019*	*36,773*	*37,800*
Non-EU 27	78	516	1,195	118	200

Source: Global Trade Atlas
* FAS/Warsaw Forecast

Table: Poland's Major Import Destinations. Frozen Potato Products, MT (marketing year ending June) – HS 200410.

	MY 2009/10	MY 2010/11	MY 2011/12	MY 2012/13	MY 2012/13 Imports as % Share
Total Imports	**32,944**	**47,271**	**41,214**	**36,891**	**100.0**
Netherlands	20,071	19,559	21,817	17,983	**48.7**
Belgium	8,760	10,346	12,845	12,711	**34.5**
Germany	2,778	5,432	1,798	3,303	**9.0**
France	1,171	11,119	3,294	2,457	**6.7**
Czech Republic	11	15	155	218	**0.6**
Egypt	0	516	1154	118	**0.3**
Others	153	284	151	101	**0.3**

Source: Global Trade Atlas
* FAS/Warsaw Forecast

Policy

On July 1, 2012, regulatory control over the potato starch market ceased. On that date the quota on potato starch production and of the minimum price set for starch potatoes were eliminated. These changes were implemented as the next stage of the reform of the Common Agricultural Policy of the European Union (CAP) towards the liberalization of agricultural markets.

Since the 2012 season the starch market has operated as a free market. The Supplementary national payment for starch potato producers, decoupled from production, is the only remnant of the previous government support program. This supplementary scheme, initiated in 2008, is decoupled from production and is 100 percent financed from the Polish budget. These payments supplement farmers' income but are not intended to affect market prices or influence planting decisions.

Payments are historical with the grant based on the reference year 2007/2008 season. Payments are directed to farmers who supplied starch potatoes to processing plants under contractual agreement during that period. Farmers had to register as having a right to receive the payment by March 14, 2012. To obtain the right to the payment a farmer had to meet specific verification conditions. The Agency for Restructuring and Modernization of Agriculture is a competent institution managing these payments.

Each year the Minister of Agriculture and Rural Development determines the amount of payment. For the year 2013 the payment amount was 449.44 PLN zloty per ton (140.5 USD) of starch. Payment is calculated as the amount of starch equivalent derived from potatoes provided to processing plants under contract agreements in the reference year (2007/08). In 2011 five thousand farmers benefited from this mechanism and, altogether, received 10 million PLN zloty (3.1 million USD). For the year 2013 the total planned budget for this payment amounted to 36.5 million PLN (11.4 million USD).
In Poland subsidies for certified seed are the second form of financial support potato producers receive.

This subsidy is classified as de minimis aid in agriculture**. It is a national mechanism and its purpose is to motivate farmers to improve product quality. The legal basis for this system of payments by the Ministry of Agriculture and Rural Development is found in “The program of improving the quality of agricultural products by increasing the use of certified seed". In 2013, potato producers received 10.6 million PLN zloty (3.3 million USD) under subsidies granted for 21 thousand hectares of land sown with qualified material.

Since the year 2009 promotional and informational campaigns have been carried out in Poland. The purpose of this activity is to increase the consumption of vegetables both in Poland and abroad. The funds allocated for this purpose are derived from mandatory contributions from potato market stakeholders. This obligation imposed on manufacturers under the domestic Act on Promotion of agri-food products (Journal of Laws No. 97, pos. 799, with amendments). As part of the Fund for the Promotion of Fruit and Vegetables is the segment "Potato - the king of vegetables.” The 2013 budget amounted to 210 thousand PLN zloty (66 thousand USD).

Note*: Polish National Bank Rate of Exchange on October 24, 2012 (1 USD=3.1996 PLN Zloty)

Note**: de minimis aid is regulated by the Commission Regulation (EC) No 1998/2006 of
15 December 2006 on the application of Articles 87 and 88 of the Treaty to de minimis aid.
The summary explanation of the mechanism can be found:
http://europa.eu/legislation_summaries/competition/state_aid/l26121_en.htm

Note***: In July1, 2013 Croatia joined the EU as the EU28, what has been included in the trade forecast for the year 2013/14.